

## **APPENDIX for PERF**



## Internal Equity – U.S.

Internal Equity - U.S.		Market Value 43.0	Qtr -0.1%	1 Year 32.3%	3 Year 4.2%	5 Year 3.7%	Incept. 9.6%	Date 6/88
	Internal FTSE 3000 Index Fund	36.1	-0.1%	32.3%	4.0%	3.7%	8.6%	12/91
	Custom Benchmark		-0.1%	32.1%	3.8%	3.4%	8.4%	
	Value Added		0.0%	0.2%	0.2%	0.3%	0.2%	
	Internal Domestic Fundamental	3.5	-0.3%	32.4%	6.1%	3.2%	3.2%	6/06
	Custom Benchmark		-0.1%	32.1%	3.8%	3.4%	3.4%	
	Value Added		-0.2%	0.3%	2.3%	-0.2%	-0.2%	
	Synthetic Equity	2.9	-0.2%	31.8%	-.%	-.%	26.0%	6/09
	Custom Benchmark		-0.4%	30.1%	-.%	-.%	22.0%	
	Value Added		0.2%	1.7%	-.%	-.%	4.0%	
	Internal Microcap	0.3	-4.5%	29.7%	11.2%	3.5%	7.6%	9/03
	Custom Benchmark		-5.8%	20.1%	7.8%	0.5%	6.2%	
	Value Added		1.3%	9.6%	3.4%	3.0%	1.4%	
Developmental	Internal Fan Long	0.1	-0.4%	33.1%	-.%	-.%	17.1%	9/09
	Custom Benchmark		-0.1%	32.1%	-.%	-.%	17.0%	
	Value Added		-0.3%	1.0%	-.%	-.%	0.1%	
	Internal Long/Short	0.1	0.8%	-2.6%	-.%	-.%	-5.6%	9/08
	91-Day Treasury Bill		0.0%	0.2%	-.%	-.%	0.2%	
	Value Added		0.8%	-2.8%	-.%	-.%	-5.8%	

## External Traditional Equity (ex MDP, FoF, Corp Gov, RMARS) – U.S.

External Traditional Equity		Market Value 3.5	Qtr 0.1%	1 Year 30.8%	3 Year 2.3%	5 Year 1.9%	Incept. 9.3%	Date 3/90
Value	Boston Company	0.5	-0.5%	32.1%	3.4%	4.3%	6.7%	6/98
	Custom Benchmark		-0.7%	28.6%	2.1%	0.6%	4.6%	
	Value Added		0.2%	3.5%	1.3%	3.7%	2.1%	
	Performance Objective		-0.4%	29.9%	3.4%	1.9%	5.9%	
	Value Added		-0.1%	2.3%	0.1%	2.5%	0.9%	
	Pzena	0.4	-0.1%	28.9%	6.9%	0.4%	8.8%	9/00
	Custom Benchmark		-0.7%	28.6%	2.1%	0.5%	6.3%	
	Value Added		0.6%	0.3%	4.8%	-0.1%	2.5%	
	Performance Objective		-0.4%	29.9%	3.4%	1.8%	7.6%	
	Value Added		0.3%	-1.0%	3.6%	-1.4%	1.3%	



## External Traditional Equity (ex MDP, FoF, Corp Gov, RMARS) – U.S.

External Traditional Equity		Market Value 3.5	Qtr 0.1%	1 Year 30.8%	3 Year 2.3%	5 Year 1.9%	Incept. 9.3%	Date 3/90
Growth	Marvin & Palmer Large Cap Growth	0.3	1.2%	38.9%	-2.3%	-.-%	0.9%	12/06
	Custom Benchmark		0.8%	35.0%	4.8%	-.-%	3.6%	
	Value Added		0.4%	3.9%	-7.1%	-.-%	-2.7%	
	Performance Objective		1.2%	36.5%	6.3%	-.-%	5.1%	
	Value Added		0.0%	2.4%	-8.6%	-.-%	-4.2%	
Enhanced	T Rowe Price	0.8	0.2%	29.7%	3.5%	3.6%	3.1%	3/06
	Custom Benchmark		0.1%	30.9%	3.2%	2.8%	2.4%	
	Value Added		0.1%	-1.2%	0.3%	0.8%	0.7%	
	Performance Objective		0.4%	32.1%	4.4%	4.0%	3.6%	
	Value Added		-0.2%	-2.4%	-0.9%	-0.4%	-0.5%	
Long/Short	First Quadrant Long/Short	0.7	0.6%	31.3%	2.1%	-.-%	2.7%	3/08
	Custom Benchmark		0.1%	31.7%	3.5%	-.-%	2.6%	
	Value Added		0.5%	-0.4%	-1.4%	-.-%	0.1%	
	Performance Objective		0.6%	33.7%	5.5%	-.-%	4.6%	
	Value Added		0.0%	-2.4%	-3.4%	-.-%	-1.9%	
	JP Morgan Long/Short	0.8	-0.3%	29.3%	6.7%	-.-%	5.7%	3/08
	Custom Benchmark		0.0%	30.4%	3.1%	-.-%	2.0%	
	Value Added		-0.3%	-1.1%	3.6%	-.-%	3.7%	
	Performance Objective		0.8%	33.4%	6.1%	-.-%	5.0%	
	Value Added		-1.1%	-4.1%	0.6%	-.-%	0.7%	



## Internal Equity – International

Internal Equity - International		Market Value 49.4	Qtr 0.8%	1 Year 31.5%	3 Year 0.9%	5 Year 3.7%	Incept. 7.0%	Date 3/05
Total International Developed Internal Equity		43.5	1.1%	32.7%	-0.2%	-.-%	2.4%	9/06
	Internal International Equity	35.3	1.2%	31.8%	-0.7%	-.-%	2.1%	9/06
	Custom Benchmark		1.2%	31.7%	-0.7%	-.-%	2.1%	
	Value Added		0.0%	0.1%	0.0%	-.-%	0.0%	
	Developed Market Small Cap	5.2	0.2%	39.7%	-.-%	-.-%	15.4%	9/08
	CalPERS FTSE Developed Index		0.1%	39.3%	-.-%	-.-%	15.5%	
	Value Added		0.1%	0.4%	-.-%	-.-%	-0.1%	
	Fundamental Developed International	2.5	1.5%	32.4%	-0.8%	-.-%	-1.6%	3/07
	CalPERS FTSE Developed Index		1.2%	31.7%	-0.7%	-.-%	-0.9%	
	Value Added		0.3%	0.7%	-0.1%	-.-%	-0.7%	
Environmental	Internal Environmental HSBC CCI	0.6	-1.7%	-.-%	-.-%	-.-%	8.2%	9/10
	Custom Benchmark		0.3%	-.-%	-.-%	-.-%	14.6%	
	Value Added		-2.0%	-.-%	-.-%	-.-%	-6.4%	
Total Emerging Markets Internal Equity		5.9	-1.3%	24.3%	6.4%	-.-%	5.5%	6/07
	Internal Int'l Emerging Markets	4.2	-1.5%	24.0%	-.-%	-.-%	17.5%	9/08
	CalPERS FTSE All Emerging x-KLD/Sudan		-1.6%	23.9%	-.-%	-.-%	17.3%	
	Value Added		0.1%	0.1%	-.-%	-.-%	0.2%	
	Structured Emerging Markets	0.8	-0.7%	26.2%	6.4%	-.-%	5.6%	6/07
	CalPERS FTSE All Emerging x-KLD/Sudan		-1.6%	23.9%	5.4%	-.-%	4.9%	
	Value Added		0.9%	2.3%	1.0%	-.-%	0.7%	
	Fundamental Emerging Markets	0.6	-0.4%	24.8%	7.1%	-.-%	6.1%	6/07
	CalPERS FTSE All Emerging x-KLD/Sudan		-1.6%	23.9%	5.4%	-.-%	4.9%	
	Value Added		1.2%	0.9%	1.7%	-.-%	1.2%	



## External Traditional Equity – International

Total International Developed External Equity		Market Value 6.3	Qtr 1.9%	1 Year 33.2%	3 Year -0.5%	5 Year 3.3%	Incept. 6.5%	Date 6/89
Core	Arrowstreet Capital (Mainstream)	2.9	2.6%	33.6%	6.8%	9.3%	17.1%	3/03
	Custom Benchmark		0.6%	30.5%	0.4%	4.3%	13.8%	
	Value Added		2.0%	3.1%	6.4%	5.0%	3.3%	
	Performance Objective		1.1%	32.5%	2.4%	6.3%	15.8%	
	Value Added		1.5%	1.1%	4.4%	3.0%	1.3%	
	Pyramis Global	0.9	1.8%	33.9%	-1.4%	-.-%	-1.2%	3/08
	Custom Benchmark		1.2%	31.7%	-0.6%	-.-%	-1.0%	
	Value Added		0.6%	2.2%	-0.8%	-.-%	-0.2%	
	Performance Objective		1.7%	33.7%	1.4%	-.-%	1.0%	
	Value Added		0.1%	0.2%	-2.8%	-.-%	-2.2%	
Growth	Baillie Gifford Overseas Limited	1.2	1.1%	33.0%	1.2%	6.8%	9.4%	6/01
	Custom Benchmark		0.6%	30.5%	0.4%	4.3%	7.8%	
	Value Added		0.5%	2.5%	0.8%	2.5%	1.6%	
	Performance Objective		1.1%	32.5%	2.4%	6.3%	9.8%	
	Value Added		0.0%	0.5%	-1.2%	0.5%	-0.4%	
Value	Grantham, Mayo, Van Otterloo	0.9	1.7%	34.0%	1.1%	3.8%	9.2%	6/01
	Custom Benchmark		1.2%	32.2%	0.8%	4.5%	7.9%	
	Value Added		0.5%	1.8%	0.3%	-0.7%	1.3%	
	Performance Objective		1.8%	34.7%	3.3%	7.0%	10.4%	
	Value Added		-0.1%	-0.7%	-2.2%	-3.2%	-1.2%	
Regional	Nomura Asset Management	0.5	0.5%	27.6%	3.6%	4.7%	5.0%	9/89
	Custom Benchmark		0.1%	23.5%	2.6%	4.0%	1.6%	
	Value Added		0.4%	4.1%	1.0%	0.7%	3.4%	
	Performance Objective		0.6%	25.5%	4.6%	6.0%	3.6%	
	Value Added		-0.1%	2.1%	-1.0%	-1.3%	1.4%	



## External Traditional Equity – International

Total Emerging Markets External Equity		Market Value 5.2	Qtr -1.1%	1 Year 26.0%	3 Year 5.5%	5 Year 11.8%	Incept. 21.8%	Date 9/02
	AllianceBernstein Int'l	0.9	-2.8%	25.7%	2.1%	9.1%	22.0%	9/02
	Custom Benchmark		-1.8%	25.9%	4.6%	11.5%	20.6%	
	Value Added		-1.0%	-0.2%	-2.5%	-2.4%	1.4%	
	Performance Objective		-1.2%	28.4%	7.1%	14.0%	23.1%	
	Value Added		-1.6%	-2.7%	-5.0%	-4.9%	-1.1%	
	Batterymarch Emerging Markets	0.9	-2.1%	22.5%	1.0%	-.-%	2.2%	6/07
	Custom Benchmark		-1.8%	25.9%	4.6%	-.-%	4.0%	
	Value Added		-0.3%	-3.4%	-3.6%	-.-%	-1.8%	
	Performance Objective		-1.3%	27.9%	6.6%	-.-%	6.0%	
	Value Added		-0.8%	-5.4%	-5.6%	-.-%	-3.8%	
	Dimensional Fund Advisors	0.8	-0.4%	26.4%	8.3%	14.2%	23.0%	9/02
	Custom Benchmark		-1.8%	25.9%	4.6%	11.5%	20.6%	
	Value Added		1.4%	0.5%	3.7%	2.7%	2.4%	
	Performance Objective		-1.3%	27.9%	6.6%	13.5%	22.6%	
	Value Added		0.9%	-1.5%	1.7%	0.7%	0.4%	
	Genesis Asset Managers	1.1	0.5%	28.6%	12.3%	14.9%	22.3%	9/02
	Custom Benchmark		-1.8%	25.9%	4.6%	11.5%	20.6%	
	Value Added		2.3%	2.7%	7.7%	3.4%	1.7%	
	Performance Objective		-1.2%	28.4%	7.1%	14.0%	23.1%	
	Value Added		1.7%	0.2%	5.2%	0.9%	-0.8%	
	Lazard Emerging Markets	0.9	-0.7%	24.4%	6.5%	-.-%	3.9%	9/07
	Custom Benchmark		-1.8%	25.9%	4.6%	-.-%	1.5%	
	Value Added		1.1%	-1.5%	1.9%	-.-%	2.4%	
	Performance Objective		-1.3%	27.9%	6.6%	-.-%	3.5%	
	Value Added		0.6%	-3.5%	-0.1%	-.-%	0.4%	
	Pictet Emerging Markets	0.5	-1.4%	29.6%	3.1%	-.-%	3.4%	6/07
	Custom Benchmark		-1.8%	25.9%	4.6%	-.-%	4.0%	
	Value Added		0.4%	3.7%	-1.5%	-.-%	-0.6%	
	Performance Objective		-1.3%	27.9%	6.6%	-.-%	6.0%	
	Value Added		-0.1%	1.7%	-3.5%	-.-%	-2.6%	



## Corporate Governance

Total Corporate Governance		Market Value 5.1	Qtr 0.1%	1 Year 27.3%	3 Year 1.9%	5 Year 0.7%	Incept. 8.4%	Date 12/98
U.S.	Blum Strategic Partners II	0.0	-4.0%	41.3%	0.8%	-.-%	-5.5%	6/07
	Custom Benchmark		1.9%	8.0%	8.0%	-.-%	8.0%	
	Value Added		-5.9%	33.3%	-7.2%	-.-%	-13.5%	
	Blum Strategic Partners III	0.1	-4.7%	21.8%	12.2%	4.3%	4.3%	9/05
	Custom Benchmark		1.9%	8.0%	8.0%	8.0%	8.0%	
	Value Added		-6.6%	13.8%	4.2%	-3.7%	-3.7%	
	Blum Strategic Partners IV	0.2	-4.7%	14.7%	4.9%	-.-%	-7.6%	12/07
	Custom Benchmark		1.9%	8.0%	8.0%	-.-%	8.0%	
	Value Added		-6.6%	6.7%	-3.1%	-.-%	-15.6%	
	Breeden Partners	0.4	-0.5%	25.8%	-4.4%	-0.9%	-0.9%	6/06
	Custom Benchmark		0.1%	30.7%	3.3%	2.9%	2.9%	
	Value Added		-0.6%	-4.9%	-7.7%	-3.8%	-3.8%	
	New Mountain Capital	0.3	-0.2%	29.8%	9.0%	6.5%	6.4%	12/05
	Custom Benchmark		0.1%	30.7%	3.3%	2.9%	3.2%	
	Value Added		-0.3%	-0.9%	5.7%	3.6%	3.2%	
	Internal New Mountain Capital	0.1	0.5%	55.3%	9.6%	-.-%	15.5%	12/06
	Custom Benchmark		0.1%	30.7%	3.3%	-.-%	0.6%	
	Value Added		0.4%	24.6%	6.3%	-.-%	14.9%	
	Relational Investors	1.0	2.7%	46.2%	5.3%	1.1%	11.8%	12/98
	Custom Benchmark		0.1%	30.7%	3.3%	2.9%	2.4%	
	Value Added		2.6%	15.5%	2.0%	-1.8%	9.4%	
	Relational Midcap	0.4	-6.0%	36.4%	-.-%	-.-%	21.0%	9/08
	Custom Benchmark		-0.7%	39.4%	-.-%	-.-%	13.2%	
	Value Added		-5.3%	-3.0%	-.-%	-.-%	7.8%	



## Corporate Governance

Total Corporate Governance		Market Value 5.1	Qtr 0.1%	1 Year 27.3%	3 Year 1.9%	5 Year 0.7%	Incept. 8.4%	Date 12/98
International	Caritca Capital Partners L.P. <i>Custom Benchmark</i> <i>Value Added</i>	0.2	-0.3% -1.7% 1.4%	29.1% 26.1% 3.0%	-.-% -.-% -.-%	-.-% -.-% -.-%	37.2% 12.4% 24.8%	12/09
	Governance for Owners <i>Custom Benchmark</i> <i>Value Added</i>	0.3	-0.9% 2.8% -3.7%	40.4% 37.3% 3.1%	2.1% -1.1% 3.2%	-.-% -.-% -.-%	-1.3% -0.5% -0.8%	12/06
	Internal Governance for Owners <i>Custom Benchmark</i> <i>Value Added</i>	0.1	1.1% 2.5% -1.4%	54.8% 37.4% 17.4%	2.8% -1.5% 4.3%	-.-% -.-% -.-%	-7.2% -3.5% -3.7%	6/07
	Breeden European Partners <i>Custom Benchmark</i> <i>Value Added</i>	0.2	2.6% 2.8% -0.2%	-16.0% 36.8% -52.8%	-.-% -.-% -.-%	-.-% -.-% -.-%	-28.5% 30.9% -59.4%	03/09
	Knight Vinke Institutional Partners <i>Custom Benchmark</i> <i>Value Added</i>	0.3	-0.2% 0.8% -1.0%	28.4% 32.7% -4.3%	-9.1% -4.8% -4.3%	-1.3% -0.7% -0.6%	9.2% 4.2% 5.0%	12/03
	Knight Vinke Internal Partners <i>Custom Benchmark</i> <i>Value Added</i>	0.1	-2.0% 0.8% -2.8%	28.2% 32.7% -4.5%	-10.0% -4.8% -5.2%	2.8% -0.7% 3.5%	4.3% -0.4% 4.7%	3/06
	Lazard Korea Corp Gov Fund <i>Custom Benchmark</i> <i>Value Added</i>	0.1	4.1% 2.5% 1.6%	24.1% 41.8% -17.7%	-4.5% 5.5% -10.0%	-.-% -.-% -.-%	-4.5% 5.5% -10.0%	6/08
	Taiyo Fund <i>Custom Benchmark</i> <i>Value Added</i>	0.7	2.1% -2.3% 4.4%	19.1% 0.9% 18.2%	0.1% -13.7% 13.8%	-0.1% -11.8% 11.7%	9.4% -2.1% 11.5%	9/03
	Taiyo Pearl Fund <i>Custom Benchmark</i> <i>Value Added</i>	0.2	-2.5% 0.0% -2.5%	13.4% 0.0% 13.4%	6.9% 0.0% 6.9%	-.-% -.-% -.-%	4.0% 0.0% 4.0%	9/07
	Taiyo Cypress <i>Custom Benchmark</i> <i>Value Added</i>	0.2	1.3% -2.3% 3.6%	11.0% 0.9% 10.1%	2.7% -13.7% 16.4%	-.-% -.-% -.-%	2.7% -13.7% 16.4%	6/08





## Manager Development Program

Manager Development Program		Market Value 1.7	Qtr 0.0%	1 Year 29.3%	3 Year 1.8%	5 Year 3.1%	Incept. 1.3%	Date 6/00
MDP I		0.5	-1.2%	22.9%	0.9%	2.7%	1.1%	6/00
MDP I	Stux Investments	0.5	-1.5%	34.3%	3.1%	3.7%	5.0%	3/04
	Custom Benchmark		0.1%	31.7%	3.5%	3.2%	4.7%	
	Value Added		-1.6%	2.6%	-0.4%	0.5%	0.3%	
	Performance Objective		0.5%	33.2%	5.0%	4.7%	6.2%	
	Value Added		-2.0%	1.1%	-1.9%	-1.0%	-1.2%	
MDP II		1.2	0.9%	36.2%	1.4%	-.%	-0.3%	3/07
MDP II	Piedmont Strategic Core	0.3	0.2%	27.7%	-.%	-.%	20.9%	6/09
	Custom Benchmark		0.1%	30.5%	-.%	-.%	22.2%	
	Value Added		0.1%	-2.8%	-.%	-.%	-1.3%	
	Performance Objective		0.4%	31.5%	-.%	-.%	23.2%	
	Value Added		-0.2%	-3.8%	-.%	-.%	-2.3%	
	Quotient Large Core	0.1	0.2%	30.3%	3.5%	-.%	2.5%	3/08
	Custom Benchmark		0.1%	31.7%	3.5%	-.%	2.6%	
	Value Added		0.1%	-1.4%	0.0%	-.%	-0.1%	
	Performance Objective		0.4%	32.7%	4.5%	-.%	3.6%	
	Value Added		-0.2%	-2.4%	-1.0%	-.%	-1.1%	
	Quotient Small Core	0.1	-2.2%	39.3%	3.1%	-.%	2.4%	3/08
	Custom Benchmark		-2.3%	36.5%	7.5%	-.%	7.1%	
	Value Added		0.1%	2.8%	-4.4%	-.%	-4.7%	
	Performance Objective		-1.7%	39.0%	10.0%	-.%	9.6%	
	Value Added		-0.5%	0.3%	-6.9%	-.%	-7.2%	
	Redwood Large Growth	0.2	-1.9%	37.4%	0.3%	-.%	1.9%	3/08
	Custom Benchmark		0.8%	34.9%	4.8%	-.%	4.9%	
	Value Added		-2.7%	2.5%	-4.5%	-.%	-3.0%	
	Performance Objective		1.1%	35.9%	5.8%	-.%	5.9%	
	Value Added		-3.0%	1.5%	-5.5%	-.%	-4.0%	
	Sourcecap International	0.3	3.6%	44.9%	-.%	-.%	21.2%	12/08
	Custom Benchmark		2.5%	37.4%	-.%	-.%	20.6%	
	Value Added		1.1%	7.5%	-.%	-.%	0.6%	
	Performance Objective		2.8%	38.4%	-.%	-.%	21.6%	
	Value Added		0.9%	6.5%	-.%	-.%	-0.4%	



## Fund of Funds

Total Fund of Funds		Market Value 0.9	Qtr -0.5%	1 Year 37.8%	3 Year 5.7%	5 Year --%	Incept. 6.4%	Date 3/08
FIS Fund of Funds		0.4	0.2%	34.6%	4.2%	--%	4.4%	3/08
Ah Lisanti Small Cap Growth		0.0	0.0%	52.1%	7.2%	--%	8.9%	3/08
	Custom Benchmark		-1.9%	41.6%	7.9%	--%	8.7%	
	Value Added		1.9%	10.5%	-0.7%	--%	0.2%	
Ativo International		0.0	3.6%	30.6%	--%	--%	13.4%	9/08
	Custom Benchmark		0.9%	30.3%	--%	--%	8.8%	
	Value Added		2.7%	0.3%	--%	--%	4.6%	
Bedlam International		0.0	0.7%	24.2%	--%	--%	5.1%	9/08
	Custom Benchmark		0.9%	30.3%	--%	--%	8.8%	
	Value Added		-0.2%	-6.1%	--%	--%	-3.7%	
Herndon Large Growth		0.0	0.9%	44.4%	--%	--%	12.7%	9/08
	Custom Benchmark		0.7%	34.8%	--%	--%	10.5%	
	Value Added		0.2%	9.6%	--%	--%	2.2%	
Herndon Large Value		0.0	2.3%	38.9%	8.2%	--%	8.3%	3/08
	Custom Benchmark		-0.7%	28.6%	2.1%	--%	0.2%	
	Value Added		3.0%	10.3%	6.1%	--%	8.1%	
Herndon International		0.0	0.7%	28.1%	--%	--%	28.1%	6/10
	Custom Benchmark		0.6%	30.3%	--%	--%	30.3%	
	Value Added		0.1%	-2.2%	--%	--%	-2.2%	
Hexavest EAFE Value		0.0	1.6%	25.5%	--%	--%	6.0%	9/09
	Custom Benchmark		0.9%	30.3%	--%	--%	8.7%	
	Value Added		0.7%	-4.8%	--%	--%	-2.7%	
Lombardia Small Value		0.0	-2.3%	31.9%	--%	--%	9.9%	9/08
	Custom Benchmark		-2.7%	31.3%	--%	--%	5.8%	
	Value Added		0.4%	0.6%	--%	--%	4.1%	
Mastrapasqua Large Growth		0.0	0.1%	39.7%	4.9%	--%	6.1%	3/08
	Custom Benchmark		0.8%	34.9%	4.8%	--%	4.9%	
	Value Added		-0.7%	4.8%	0.1%	--%	1.2%	
Moody Aldrich All Cap Value		0.0	-5.1%	30.9%	-0.1%	--%	-0.6%	3/08
	Custom Benchmark		-0.8%	28.9%	2.5%	--%	0.7%	
	Value Added		-4.3%	2.0%	-2.6%	--%	-1.3%	
Oakbrook Large Value		0.0	-0.4%	29.4%	--%	--%	4.8%	9/08
	Custom Benchmark		-0.6%	28.7%	--%	--%	4.7%	
	Value Added		0.2%	0.7%	--%	--%	0.1%	
Oakbrook Mid Cap Core		0.0	0.4%	38.7%	6.1%	--%	7.0%	3/08
	Custom Benchmark		0.4%	38.4%	6.3%	--%	6.7%	
	Value Added		0.0%	0.3%	-0.2%	--%	0.3%	
Paradigm Alpha Max Large Value		0.0	1.4%	30.0%	0.1%	--%	-1.1%	3/08
	Custom Benchmark		-0.6%	28.7%	2.1%	--%	0.2%	
	Value Added		2.0%	1.3%	-2.0%	--%	-1.3%	
Victoria Emerging Markets		0.0	-2.4%	31.9%	--%	--%	20.7%	9/09
	Custom Benchmark		-1.1%	27.8%	--%	--%	16.3%	
	Value Added		-1.3%	4.1%	--%	--%	4.4%	
DSM Large Growth		0.0	0.5%	34.3%	0.7%	--%	2.3%	3/08
	Custom Benchmark		0.7%	34.8%	4.8%	--%	4.9%	
	Value Added		-0.2%	-0.5%	-4.1%	--%	-2.6%	



## Fund of Funds

Total Fund of Funds		Market Value 0.9	Qtr -0.5%	1 Year 37.8%	3 Year 5.7%	5 Year -.-%	Incept. 6.4%	Date 3/08
Leading Edge Fund of Funds		0.4	-0.7%	37.9%	6.3%	-.-%	7.6%	3/08
	Cupps Small Growth	0.0	2.2%	60.2%	14.0%	-.-%	15.9%	3/08
	Custom Benchmark		-1.9%	41.6%	7.9%	-.-%	8.7%	
	Value Added		4.1%	18.6%	6.1%	-.-%	7.2%	
	Logan Large Growth	0.0	0.5%	42.8%	5.0%	-.-%	5.2%	3/08
	Custom Benchmark		0.8%	34.9%	4.8%	-.-%	4.9%	
	Value Added		-0.3%	7.9%	0.2%	-.-%	0.3%	
	Markston Large Core	0.0	0.3%	30.8%	5.5%	-.-%	5.6%	3/08
	Custom Benchmark		0.1%	30.5%	3.1%	-.-%	2.0%	
	Value Added		0.2%	0.3%	2.4%	-.-%	3.6%	
	Mindshare Small Growth	0.0	-5.7%	33.4%	5.1%	-.-%	8.6%	3/08
	Custom Benchmark		-1.9%	41.6%	7.9%	-.-%	8.7%	
	Value Added		-3.8%	-8.2%	-2.8%	-.-%	-0.1%	
	Nicholas Small Growth	0.0	-1.3%	-.-%	-.-%	-.-%	30.7%	9/10
	Russell 2000 Growth		-1.9%	-.-%	-.-%	-.-%	25.5%	
	Value Added		0.6%	-.-%	-.-%	-.-%	5.2%	
	Phocas Small Value	0.0	-2.4%	34.4%	11.6%	-.-%	9.9%	3/08
	Custom Benchmark		-2.7%	31.3%	7.0%	-.-%	5.3%	
	Value Added		0.3%	3.1%	4.6%	-.-%	4.6%	
	Redwood Large Growth-LEIA	0.0	-1.9%	37.3%	0.3%	-.-%	1.7%	3/08
	Custom Benchmark		0.8%	34.9%	4.8%	-.-%	4.9%	
	Value Added		-2.7%	2.4%	-4.5%	-.-%	-3.2%	
	Westwood	0.1	0.9%	29.8%	-.-%	-.-%	40.0%	12/08
	Custom Benchmark		-1.8%	25.9%	-.-%	-.-%	36.3%	
	Value Added		2.7%	3.9%	-.-%	-.-%	3.7%	
	Windsor - LEIA	0.0	-1.3%	-.-%	-.-%	-.-%	-1.3%	3/11
	Custom Benchmark		-2.7%	-.-%	-.-%	-.-%	-2.7%	
	Value Added		1.4%	-.-%	-.-%	-.-%	1.4%	



## Fund of Funds

Total Fund of Funds		Market Value 0.9	Qtr -0.5%	1 Year 37.8%	3 Year 5.7%	5 Year -.-%	Incept. 6.4%	Date 3/08
Progress Fund of Funds		0.1	-1.5%	-.%	-.%	-.%	28.3%	9/10
	Independence	0.0	-0.5%	-.%	-.%	-.%	31.5%	9/10
	Custom Russell 2000 Growth		-1.9%	-.%	-.%	-.%	25.5%	
	Value Added		1.4%	-.%	-.%	-.%	6.0%	
	Hubert	0.0	2.5%	-.%	-.%	-.%	39.1%	9/10
	Custom Russell 2000 Value		-2.7%	-.%	-.%	-.%	19.6%	
	Value Added		5.2%	-.%	-.%	-.%	19.5%	
	GW Capital	0.0	-0.5%	-.%	-.%	-.%	33.0%	9/10
	Custom Russell 2000 Value		-2.7%	-.%	-.%	-.%	19.6%	
	Value Added		2.2%	-.%	-.%	-.%	13.4%	
	OMT	0.0	-2.9%	-.%	-.%	-.%	23.6%	9/10
	Custom Russell 2500 Growth		-1.9%	-.%	-.%	-.%	25.0%	
	Value Added		-1.0%	-.%	-.%	-.%	-1.4%	
	Riverbridge	0.0	0.1%	-.%	-.%	-.%	27.2%	9/10
	Custom Russell 2000 Growth		-1.9%	-.%	-.%	-.%	25.5%	
	Value Added		2.0%	-.%	-.%	-.%	1.7%	
	Channing	0.0	-6.5%	-.%	-.%	-.%	19.1%	9/10
	Custom Russell 2000 Value		-2.7%	-.%	-.%	-.%	19.6%	
	Value Added		-3.8%	-.%	-.%	-.%	-0.5%	
	CWC	0.0	-3.2%	-.%	-.%	-.%	23.6%	9/10
	Custom Russell 2000		-2.3%	-.%	-.%	-.%	22.5%	
	Value Added		-0.9%	-.%	-.%	-.%	1.1%	
	Nichols	0.0	0.3%	-.%	-.%	-.%	31.2%	9/10
	Custom Russell 2000 Growth		-1.9%	-.%	-.%	-.%	25.5%	
	Value Added		2.2%	-.%	-.%	-.%	5.7%	



## External Manager Performance Review (continued) RM ARS Program

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
<b>Total RM ARS Program</b>	<b>5.3</b>	<b>-0.7%</b>	<b>6.6%</b>	<b>0.7%</b>	<b>3.2%</b>
<i>Policy Index</i>		<b>1.4%</b>	<b>5.7%</b>	<b>6.6%</b>	<b>8.2%</b>
<b>Total Fund of Funds</b>	<b>1.6</b>	<b>-0.5%</b>	<b>2.9%</b>	<b>-0.8%</b>	<b>1.7%</b>
47 Degrees North Capital Fund of Emergin	<b>0.2</b>	-3.4%	1.7%	-2.0%	-.-%
Ermitage European Fund of Funds	<b>0.1</b>	-0.4%	2.5%	-0.9%	1.8%
Europanel European Fund of Funds	<b>0.3</b>	-1.2%	5.9%	2.6%	-.-%
PAAMCO Asian Fund of Funds	<b>0.2</b>	0.9%	-0.6%	-3.5%	-0.7%
PAAMCO Fund of Emerging Funds	<b>0.2</b>	-0.8%	6.8%	-0.1%	-.-%
Rock Creek fund of Emerging Funds	<b>0.2</b>	0.7%	8.4%	2.5%	-.-%
UBS European Fund of Funds	<b>0.1</b>	2.0%	-5.3%	-5.5%	-.-%
Vision Asian Fund of Funds	<b>0.3</b>	-1.0%	3.7%	-1.6%	2.0%
<b>RM ARS Direct Investments</b>	<b>3.7</b>	<b>-0.8%</b>	<b>8.2%</b>	<b>1.6%</b>	<b>3.9%</b>
CalPERS Hedge Fund-UBS	<b>3.7</b>	-0.8%	9.2%	2.3%	4.1%



## External Manager Performance Review (continued) RM ARS Program\* (Continued)

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
<b>Total RM ARS Program</b>	<b>5.3 bil</b>	<b>-0.7%</b>	<b>6.6%</b>	<b>0.7%</b>	<b>3.2%</b>
<i>Policy Index</i>		<b>1.4%</b>	<b>5.7%</b>	<b>6.6%</b>	<b>8.2%</b>
<b>RM ARS Direct Investments</b>	<b>3.7 bil</b>	-0.8%	8.2%	1.6%	3.9%
CalPERS Hedge Fund-UBS	<b>3.7 bil</b>	-0.8%	9.2%	2.3%	4.1%
<b>Convertible Arbitrage*</b>	<b>279.7 mil</b>	0.2%	10.4%	16.2%	10.9%
Symphony Eureka Fund L.P.	<b>279.7 mil</b>	0.2%	10.4%	-.-%	-.-%
<b>Domestic Equity Long/Short*</b>	<b>252.1 mil</b>	-0.8%	13.6%	2.2%	7.8%
<b>International Equity Long/Short*</b>	<b>352.8 mil</b>	-0.5%	8.1%	-2.0%	-0.6%
Brookside Capital Partners Fund, L.P.	<b>31.5 mil</b>	4.8%	99.9%	22.0%	19.8%
PFM Diversified Eureka Fund, LP	<b>220.6 mil</b>	-1.6%	5.9%	-.-%	-.-%
Lansdowne European	<b>252.2 mil</b>	-1.6%	-.-%	-.-%	-.-%
Standard Pacific Eureka Fund LLLP	<b>100.6 mil</b>	-.-%	-.-%	-.-%	-.-%
<b>Multi-Strategy*</b>	<b>757.0 mil</b>	0.7%	9.3%	0.5%	2.8%
Canyon Value Realization Fund L.P.	<b>27.9 mil</b>	3.2%	10.8%	3.9%	4.9%
Deephaven	<b>6.4 mil</b>	-0.6%	0.2%	-11.0%	-3.4%
Farallon	<b>2.1 mil</b>	10.4%	37.5%	16.2%	11.8%
OZ Domestic Partners II, L.P.	<b>51.7 mil</b>	4.6%	18.7%	8.6%	8.9%
OZ Eureka Fund, L.P.	<b>505.7 mil</b>	-0.3%	-.-%	-.-%	-.-%
Tennenbaum Multi-Strategy SPV (Cayman)	<b>4.1 mil</b>	2.3%	31.2%	-.-%	-.-%
SuttonBrook Eureka Fund LP	<b>159.0 mil</b>	2.5%	4.8%	-.-%	-.-%
<b>Commodities*</b>	<b>771.9 mil</b>	-2.2%	10.2%	3.2%	-.-%
Aspect Alternative Fund LLP	<b>262.8 mil</b>	-3.2%	-.-%	-.-%	-.-%
Black River CMSF	<b>22.2 mil</b>	2.4%	-4.4%	-4.5%	-.-%
Black River CTF (Onshore)	<b>199.4 mil</b>	-3.0%	9.0%	-.-%	-.-%
BlueTrend Fund LP	<b>287.5 mil</b>	-1.2%	14.5%	13.9%	-.-%
<b>Credit-Driven*</b>	<b>694.9 mil</b>	-1.6%	9.9%	9.5%	8.0%
Canyon Special Opportunities Fund, LP	<b>22.8 mil</b>	2.9%	16.0%	-0.2%	-.-%
Chatham Asset Part. Spec. Situation Offsho	<b>161.6 mil</b>	-1.9%	9.0%	11.5%	9.2%
Chatham Eureka Fund LP	<b>510.5 mil</b>	-1.8%	10.8%	-.-%	-.-%
<b>Fixed Income Arbitrage*</b>	<b>361.8 mil</b>	-0.7%	4.9%	1.6%	4.4%
Black River FIRV	<b>361.8 mil</b>	-0.7%	4.9%	10.9%	10.9%

\* The numbers presented above were provided by CalPERS and are updated whenever an underlying manager provides additional information. The RM ARS numbers on the previous page were provided by State Street and are based on the second business day.



## External Manager Performance Review (continued) RM ARS Program\* (Continued)

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
<b>Total RM ARS Program</b>	<b>5.3 bil</b>	<b>-0.7%</b>	<b>6.6%</b>	<b>0.7%</b>	<b>3.2%</b>
<i>Policy Index</i>		<b>1.4%</b>	<b>5.7%</b>	<b>6.6%</b>	<b>8.2%</b>
<b>Market Neutral*</b>	<b>267.9 mil</b>	0.1%	4.2%	-1.1%	0.7%
O'Connor Global Market Neutral L/S	<b>48.8 mil</b>	-0.1%	4.4%	-.-%	-.-%
O'Connor Global Quantitative Equity LLC	<b>118.8 mil</b>	1.7%	8.3%	-1.1%	0.7%
OMG Eureka LP	<b>100.3 mil</b>	-1.6%	-.-%	-.-%	-.-%
<b>Distressed*</b>	<b>22.2 mil</b>	10.3%	2.9%	3.5%	1.7%
AIS Highbury Liquidating SPV, L.P.	<b>22.2 mil</b>	10.3%	-.-%	-.-%	-.-%
<b>Asian Fund of Funds*</b>	<b>477.4 mil</b>	-0.8%	4.3%	-1.9%	1.4%
Vision Blue Diamond Fund, L.P.	<b>270.0 mil</b>	-1.7%	4.2%	-1.7%	2.1%
PAAMCO - Blue Diamond Separate Inves	<b>207.4 mil</b>	0.5%	4.4%	-.-%	-.-%
<b>European Fund of Funds*</b>	<b>506.2 mil</b>	-0.9%	4.7%	0.1%	2.0%
Ermitage Highbury Fund, LP	<b>133.2 mil</b>	-0.6%	2.5%	-1.0%	1.6%
AIS Highbury Fund, LP	<b>105.7 mil</b>	-0.1%	4.4%	-2.1%	-.-%
ERAAM Highbury Fund, LP	<b>267.2 mil</b>	-1.3%	5.9%	2.5%	-.-%
<b>Fund of Emerging Hedge Funds*</b>	<b>564.9 mil</b>	-1.5%	5.9%	0.1%	-.-%
47 Degrees North 1848 Fund, LP	<b>193.7 mil</b>	-4.1%	2.2%	-2.0%	-.-%
Rock Creek 1848 Fund, LP	<b>220.9 mil</b>	0.3%	8.7%	2.8%	-.-%
PAAMCO 1848 Fund, LP	<b>150.3 mil</b>	-0.9%	7.0%	-0.2%	-.-%

\* The numbers presented above were provided by CalPERS and are updated whenever an underlying manager provides additional information. The RM ARS numbers on the previous page were provided by State Street and are based on the second business day.



## Fixed Income – High Yield (Opportunistic)

		<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>Incept.</b>	<b>Date</b>
<b>Internal High Yield</b>		<b>0.8</b>	<b>-0.5%</b>	<b>10.4%</b>	<b>15.6%</b>	<b>13.7%</b>	<b>16.6%</b>	<b>9/99</b>
	High Yield	0.3	3.2%	14.6%	18.3%	15.3%	16.5%	12/99
	Custom Benchmark		0.9%	15.1%	11.7%	8.7%	7.6%	
	Value Added		2.3%	-0.5%	6.6%	6.6%	8.9%	
	BB Internal High Yield	0.2	1.2%	14.2%	-.-%	-.-%	12.4%	9/09
	Custom Benchmark		1.2%	13.3%	-.-%	-.-%	12.7%	
	Value Added		0.0%	0.9%	-.-%	-.-%	-0.3%	
	Non-Traditional High Yield	0.2	-6.8%	-0.6%	-.-%	-.-%	4.6%	12/09
	Custom Benchmark		0.9%	15.1%	-.-%	-.-%	12.9%	
	Value Added		-7.7%	-15.7%	-.-%	-.-%	-8.3%	
<b>External High Yield</b>		<b>1.1</b>	<b>1.7%</b>	<b>19.1%</b>	<b>5.5%</b>	<b>5.1%</b>	<b>7.7%</b>	<b>3/02</b>
	Highland A	0.3	2.5%	18.2%	6.6%	-.-%	4.1%	12/07
	Custom Benchmark		0.9%	15.1%	11.7%	-.-%	9.6%	
	Value Added		1.6%	3.1%	-5.1%	-.-%	-5.5%	
	Highland B	0.1	4.4%	35.9%	4.0%	-.-%	2.1%	12/07
	Custom Benchmark		0.9%	15.1%	11.7%	-.-%	9.6%	
	Value Added		3.5%	20.8%	-7.7%	-.-%	-7.5%	
	Columbia High Yield	0.2	0.8%	17.0%	-.-%	-.-%	14.2%	9/09
	Custom Benchmark		0.6%	16.6%	-.-%	-.-%	16.3%	
	Value Added		0.2%	0.4%	-.-%	-.-%	-2.1%	
	Logan Circle High Yield	0.2	1.2%	17.6%	-.-%	-.-%	14.3%	12/09
	Custom Benchmark		0.6%	16.6%	-.-%	-.-%	13.7%	
	Value Added		0.6%	1.0%	-.-%	-.-%	0.6%	
	Nomura	0.5	1.1%	18.5%	14.5%	10.0%	10.1%	3/02
	Custom Benchmark		0.9%	15.1%	11.7%	8.7%	9.0%	
	Value Added		0.2%	3.4%	2.8%	1.3%	1.1%	
	PIMCO	0.1	1.4%	15.5%	10.0%	8.0%	8.7%	3/02
	Custom Benchmark		0.9%	15.1%	11.7%	8.7%	9.0%	
	Value Added		0.5%	0.4%	-1.7%	-0.7%	-0.3%	





## External Fixed Income – International

External Fixed Income - International		Market Value 3.6	Qtr 4.3%	1 Year 15.8%	3 Year 8.1%	5 Year 8.7%	Incept. 8.3%	Date 3/89
	Alliance Bernstein	0.8	4.2%	16.1%	7.4%	-.-%	8.8%	3/07
	Custom Benchmark		3.7%	14.0%	6.4%	-.-%	8.1%	
	Value Added		0.5%	2.1%	1.0%	-.-%	0.7%	
	Performance Objective		4.1%	15.5%	7.9%	-.-%	9.6%	
	Value Added		0.1%	0.6%	-0.5%	-.-%	-0.8%	
	Baring	0.7	4.1%	15.6%	7.4%	8.4%	8.8%	9/89
	Custom Benchmark		3.7%	14.0%	6.4%	7.7%	7.5%	
	Value Added		0.4%	1.6%	1.0%	0.7%	1.3%	
	Performance Objective		4.1%	15.5%	7.9%	9.2%	9.0%	
	Value Added		0.0%	0.1%	-0.5%	-0.8%	-0.2%	
	PIMCO	1.2	4.9%	16.7%	9.6%	-.-%	10.1%	3/07
	Custom Benchmark		3.7%	14.0%	6.4%	-.-%	8.1%	
	Value Added		1.2%	2.7%	3.2%	-.-%	2.0%	
	Performance Objective		4.1%	15.5%	7.9%	-.-%	9.6%	
	Value Added		0.8%	1.2%	1.7%	-.-%	0.5%	
	Rogge	0.9	3.8%	14.5%	6.4%	8.2%	8.1%	9/00
	Custom Benchmark		3.7%	14.0%	6.4%	7.7%	7.8%	
	Value Added		0.1%	0.5%	0.0%	0.5%	0.3%	
	Performance Objective		4.1%	15.5%	7.9%	9.2%	9.3%	
	Value Added		-0.3%	-1.0%	-1.5%	-1.0%	-1.2%	

## Fixed Income – Special Investments

Special Investments		Market Value 0.5	Qtr -0.6%	1 Year -4.7%	3 Year 4.3%	5 Year 5.2%	Incept. 6.5%	Date 3/91
	California Underserved Fund	0.2	2.1%	4.0%	7.7%	-.-%	7.8%	6/07
	Equitable CCMF	0.0	1.5%	7.6%	7.1%	7.9%	8.5%	12/95
	MHLP-BRS	0.3	-2.2%	-10.1%	2.2%	3.9%	5.0%	3/02
	U.L.L.I. Co.	0.0	-6.4%	-0.9%	7.4%	10.7%	9.0%	6/95



## Inflation Linked

Commodities		Market Value 2.5	Qtr -7.4%	1 Year 27.0%	3 Year -21.3%	5 Year -.-%	Incept. -7.0%	Date 9/07
	Commodities Collateral	2.6	0.0%	0.3%	0.6%	-.%	0.6%	9/07
	Blended LIBOR Fed Fund Index		0.0%	0.2%	0.3%	-.%	0.9%	
	Value Added		0.0%	0.1%	0.3%	-.%	-0.3%	
	Commodities Overlay*	-0.1	-7.5%	26.5%	-22.0%	-.%	-7.7%	9/07
	Goldman Sachs Commodity Excess Return Idx		-8.0%	26.0%	-21.9%	-.%	-7.8%	
	Value Added		0.5%	0.5%	-0.1%	-.%	0.1%	

## Real Estate

Public REITS		Market Value 1.3	Qtr 2.8%	1 Year 33.4%	3 Year 1.3%	5 Year 0.5%	Incept. 9.4%	Date 6/02
Internal	Internal FTSE EPRA NAREIT	1.3	2.8%	33.4%	-.%	-.%	17.9%	9/09
	Custom Benchmark		2.9%	33.4%	-.%	-.%	17.9%	
	Value Added		-0.1%	0.0%	-.%	-.%	0.0%	

\* The overlay portfolio is a derivatives portfolio which has no market value but a notional value approximately equal to the size of the commodities collateral



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Relational Investors**

**Second Quarter 2011**

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** March 1996

**Capital Commitment:** \$1 billion

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$206.5 million	\$4,246.9 million
<b>Distributed Capital:</b>	\$362.1 million	\$1,117.5 million

**Market Value (6/30/11):** \$ 978.8 million

**Investment Strategy:**

Relational Investors employs a corporate governance strategy aimed at unlocking intrinsic value in underperforming, publicly traded, U.S. companies. When compared to the broader market and industry peers, these companies typically exhibit inferior performance in one or more of the following areas: operations, financial structure, long-term strategy, corporate governance policies or management. Each investment represents a significant percentage of a particular company's outstanding shares, generally 3-10%. Relational Investors then seeks to maximize investment value by initiating contact with the company's management, board of directors and other shareholders to facilitate change.

**Summary Analysis:**

***Number of Investments: 14***

**Organization:**

- As reported previously, the retirement of Frank Hurst, Senior Managing Director of Client Services & Marketing, was effective on June 3, 2011. Mr. Hurst's responsibilities have been assumed by Jay Winship and Sandi Christian. In conjunction with Mr. Hurst's retirement, Mr. Jay Winship was promoted to Senior Managing Director.
- Aanchal Kapoor and Prithvi Murthy joined the firm as Associate Analysts in August – both individuals were interns at Relational last summer and will participate in the two-year Associate Analyst Program.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Relational Investors**

Second Quarter 2011

**Performance Analysis:**

Relational's large cap portfolio performance led the S&P 500 Index for the second quarter of 2011 with a return of 2.7% versus 0.1% for the benchmark. During the quarter, Relational exited from two positions (Deere & Company and SunTrust Banks) and initiated in two other investments ("Chicago" and "Dexter"). Additionally, Relational also trimmed its position in several investments to fund the \$100M transfer from the large cap fund to the mid cap portfolio. The majority of companies reported earnings above consensus estimates despite a relatively flat quarter for domestic equity. Even though Unum missed earnings, Unum had a positive quarter with repurchasing outstanding shares, paid down debt, and increased their dividend following an analysis letter from Relational. Mr. David Batchelder stepped down from the Home Depot board during the quarter – also during the quarter, Home Depot repurchased outstanding shares and is focused on cost-cutting measures until the general economy/housing market improves. CVS won several big awards from Medco, one of their main rivals, and reported strong earnings over the quarter. LyondellBasell initiated a dividend and reported strong earnings while focusing on their core business. Both Occidental and Applied Materials made strategic and complementary or diversifying acquisitions over the quarter and reported strong quarterly earnings. Zimmer Holdings made improvements in their compensation structure and Relational struck an agreement with Electronic Arts whereby ERTS would appoint Mr. Ralph Whitworth to its board of directors if requested by Relational. Relational filed a 13D as the largest shareholder of L-3 (at 5.98% ownership) and highlighted L-3's underperformance versus its peers and recommended the company sell or spin-off the low-growth, low-margin services assets. Relational held investments in 14 portfolio companies and is at varying stages of due diligence on twelve additional investments. Wilshire will continue to monitor and provide updates on the fund.

Calendar Year Performance (%)									
As of 6/30/2011									
	YTD	2010	2009	2008	2007	2006	2005	2004	2003
Relational	11.92	25.11	24.56	-41.01	-10.01	9.29	9.89	16.49	40.77
Custom S&P 500	6.02	15.07	26.45	-37.01	5.54	15.81	4.89	10.87	28.69
Excess Return	5.90	10.04	-1.89	-4.00	-15.55	-6.52	5.00	5.62	12.08

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Relational Investors – Mid Cap**

Second Quarter 2011

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** July 2008

**Capital Commitment:** \$300 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$123.6 million	\$ 519.2 million
<b>Distributed Capital:</b>	\$ 25.5 million	\$ 308.9 million

**Market Value (6/30/11):** \$ 389.4 million

**Investment Strategy:**

Relational's process is aimed at improving the performance of portfolio companies in a variety of areas, including operations, financial structure, and overall strategy. Typically, portfolio companies will be fairly mature companies with strong cash flows from underperforming core businesses. Generally, Relational is not looking for "turn around" opportunities. Relational looks to proactively engage each portfolio company to improve performance in the belief that improved corporate performance will result in a higher valuation for the company. RMMF will maintain a concentrated portfolio of 8-12 stocks with no single company will represent more than 25% of the Fund. There are no sector weight targets or limits.

**Summary Analysis:**

***Number of Investments: 12***

**Organization:**

- As reported previously, the retirement of Frank Hurst, Senior Managing Director of Client Services & Marketing, was effective on June 3, 2011. Mr. Hurst's responsibilities have been assumed by Jay Winship and Sandi Christian. In conjunction with Mr. Hurst's retirement, Mr. Jay Winship was promoted to Senior Managing Director.
- Aanchal Kapoor and Prithvi Murthy joined the firm as Associate Analysts in August – both individuals were interns at Relational last summer and will participate in the two-year Associate Analyst Program.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Relational Investors – Mid Cap**

Second Quarter 2011

**Performance Analysis:**

Relational continues building its Mid Cap portfolio with twelve holdings, eight of which are disclosed. The Mid Cap portfolio had a negative and underperforming quarter as it trailed the benchmark and exited two positions (Charles River Laboratories and ARRIS Group) completely, while trimming its positions in Babcock & Wilcox, Esterline, and Project Premium. Relational chose to exit Charles River due to a lack of confidence in management and their concept of disciplined capital allocation; ARRIS due to the unexpected increased competitive environment and resulting risk, and the lack of clarity regarding the long-term growth and return profile of the core CMTS business. Harman continued to do well as it announced several contract wins, notably from the Volkswagen Group and the emerging markets in China (BYD Motors, Geely Motors, and Dongfeng Passenger Vehicle). Despite missing earnings estimates, Ameriprise had positive developments this quarter by increasing its dividend by 28%, authorizing another share repurchase plan, and plans to divest its Securities America Financial Corporation subsidiary. Despite the declining defense budget, Esterline reported strong earnings and made a favorable acquisition. Even though McDermott was the worst performer in the portfolio, the company posted strong earnings and plans to fund a new fabrication facility in Brazil. Management at Babcock & Wilcox reiterated that the Japanese nuclear disaster would not affect the TVA plans to install mPower at its Clinch River site. Ashland announced strong earnings for the quarter as well as a complementary acquisition. After a positive meeting with the chairman at Project Premium, an insurance company, Relational added to its position. Relational continues to monitor Bigfoot and Golf, both of which are in the healthcare sector, to determine the position size. Relational holds investments in 12 portfolio companies, eight of which are disclosed, and is currently in varying stages of due diligence on eight additional investments. Wilshire will continue to monitor the portfolio activities.

Calendar Year Performance (%)				
As of 6/30/2011				
	YTD	2010	2009	4Q08*
Relational Mid-Cap	1.93	29.67	82.41	-29.93
S&P 400 Mid Cap Index	8.56	26.64	37.38	-25.55
Excess Return	-6.63	3.03	45.03	-4.38

\*First full-quarter performance since fund inception

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Taiyo Pacific Partners/WL Ross**

**Second Quarter 2011**

**Investment Type:** Japanese Corporate Governance Fund

**Inception Date:** July 2003

**Capital Commitment:** \$500 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 502.5 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (6/30/11):** \$ 728.5 million

**Investment Strategy:**

Taiyo Pacific Partners/WL Ross believe that public equity investors in Japan can be rewarded with superior returns by investing in companies that will implement corporate governance improvements. The investment strategy has two elements. First, identify undervalued stocks utilizing Taiyo's asset value and earnings potential analysis. Second, create valuation improvements by means of a three-phase corporate governance strategy. The three phases are: improving transparency and disclosure, improving corporate profitability, and improving shareholder value. Taiyo proposes to use its own proprietary database to identify target companies. Once identification is made, Taiyo's strategy is to be a constructive shareholder with those companies willing to make corporate governance improvements.

**Summary Analysis:**

***Number of Investments: 17***

**Organization:**

- Todd Forsyth joined Taiyo as a Director during the quarter. Todd was one of the first investors to run long/short strategies in Japan, has a deep knowledge of the Asian markets and has managed capital for JPMorgan and on his own over the past twenty years. As Taiyo expects further volatilities in the Japanese equity market space, the firm is glad to bring in Todd to provide more top down analytical perspective to its investment process.
- Devin Lamb, a former Partner, resigned at the end of April to pursue other personal interests. Most of Devin's responsibilities, primarily in client servicing, has been assumed by Ferrell Daste and Taiyo indicated the transition was smooth.

**Philosophy/Process:** No material changes.



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Taiyo Pacific Partners/WL Ross**

Second Quarter 2011

**Performance Analysis:**

The Taiyo Fund's second quarter time-weighted return (in USD) of 2.1% topped the TOPIX's -2.3%. According to Taiyo, the fund's performance benefited from a lack of exposure to the Utilities sector, which was again the worst returning sector for the period ended June 30, following a disaster-struck first quarter. On the issue selection front, despite the large decline experienced by Nabtesco Corp (7.6% weight, -4.9% return) and Nissha Printing Co (5.1% weight, -15.9% return), several other holdings performed well enough and helped lift the Taiyo Fund's overall return. Among this quarter's biggest contributors included web-based medical research firm \*Milton\* (5.7% weight, +18.9% return), electronic measuring equipment maker Horiba Ltd (8.7% weight, +10.0% return), automobile OE equipment supplier Nifco Inc (7.5% weight, +9.4% return), and clinical diagnostics provider Miraca Holdings (13.4% weight, +4.9% return).

Calendar Year Performance (%)								
As of 6/30/2011								
	YTD	2010	2009	2008	2007	2006	2005	2004
Taiyo	0.00	20.66	29.31	-37.32	-3.91	9.08	56.46	27.03
Topix Index	-5.52	-0.97	5.63	-41.77	-12.22	1.90	44.29	11.23
Excess Return	5.52	21.63	23.68	4.45	8.31	7.18	12.17	15.80

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Taiyo Pearl Fund/WL Ross**

Second Quarter 2011

**Investment Type:** Japanese Corporate Governance Fund

**Inception Date:** October 2007

**Capital Commitment:** \$200 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 200.0 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (6/30/11):** \$ 232.7 million

**Investment Strategy:**

TPF believes that responsible shareholder influence can unlock the value in Japanese companies, resulting in significant out performance for shareholders. TPF will utilize a friendly relational approach in working with Japanese companies in both public and private equity space to create and/or unlock value. TPF will focus on companies with a market cap of \$50 ~ \$500million. The investment approach will include 1) activist investing in public companies including taking a controlling stake where appropriate (5% or greater in Japanese equities), 2) active investing in attractive public companies (where they will not take a controlling stake holding less than 5%) and 3) active investing in private companies. Taiyo is seeking to achieve a 15% to 20% annualized return on an absolute basis. The portfolio will average about 30 stocks at a time and several private equity transactions.

**Summary Analysis:**

***Number of Investments: 14***

**Organization:**

- Todd Forsyth joined Taiyo as a Director during the quarter. Todd was one of the first investors to run long/short strategies in Japan, has a deep knowledge of the Asian markets and has managed capital for JPMorgan and on his own over the past twenty years. As Taiyo expects further volatilities in the Japanese equity market space, the firm is glad to bring in Todd to provide more top down analytical perspective to its investment process.
- Devin Lamb, a former Partner, resigned at the end of April to pursue other personal interests. Most of Devin's responsibilities, primarily in client servicing, has been assumed by Ferrell Daste and Taiyo indicated the transition was smooth.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Taiyo Pearl Fund/WL Ross**

Second Quarter 2011

**Performance Analysis:**

For the quarter ended June 30, 2011, the Pearl Fund generated a time-weighted return (in USD) of -2.5%, and underperformed its stated objective, absolute return of 0%, as well as the TOPIX's return of -2.3%. From an allocation perspective, Pearl's sector positioning actually added value during the 2Q, primarily due to its higher-than-TOPIX exposure to Healthcare and Services, two of the better performing sectors. However, the sector allocation gain was more than offset by unfavorable stock-specific performance. The fund's largest holdings were among this quarter's notable detractors, as Nippon Ceramic (14.7% weight) and Sho-Bond Holdings Co (12.1% weight), which were last quarter's top performers, saw price correction and reported returns of -1.5% and -9.4%, respectively. In addition, Pearl's fifth and sixth largest holdings, \*Jar\* and \*Cherry\*, also saw their shares slide and weighed on the fund's overall return. \*Jar\*'s share price fell -3.4% as there were concerns of potential competitors stealing market share, while \*Cherry\*'s stock sold off -14.2% primarily due to investor's negative sentiment towards the company's association to the disaster-struck Tohoku region (although Taiyo indicated \*Cherry\* actually incurred very limited damage by the disaster).

Calendar Year Performance (%)				
As of 6/30/2011				
	YTD	2010	2009	2008
Taiyo Pearl Fund	2.07	24.19	-2.78	-11.27
Absolute Return of 0%	0.00	0.00	0.00	0.00
Excess Return	2.07	24.19	-2.78	-11.27

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Taiyo Cypress Fund/WL Ross**

**Second Quarter 2011**

**Investment Type:** Japanese Corporate Governance Fund

**Inception Date:** April 2008

**Capital Commitment:** \$200 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 200.2 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (6/30/11):** \$ 205.6 million

**Investment Strategy:**

*Investment Strategy:* TCF sees considerable un-tapped value in the Japanese stock market. TCF believes that responsible shareholder influence can unlock the value in Japanese companies, resulting in significant outperformance for shareholders. TCF will utilize a friendly relational approach in working with Japanese companies focused on opportunities in both the public and private equity space to create and/or unlock value. TCF will focus on companies with a market cap greater than ¥220 billion. The investment approach will include 1) activist investment in public companies including taking a controlling stake where appropriate (5% or greater in Japanese equities) and 2) active investment in private companies. The portfolio is expected to hold 8-10 publicly traded companies representing no less than 65% of the portfolio, with the remainder of the portfolio to be comprised of private equity.

**Summary Analysis:**

***Number of Investments: 13***

**Organization:**

- Todd Forsyth joined Taiyo as a Director during the quarter. Todd was one of the first investors to run long/short strategies in Japan, has a deep knowledge of the Asian markets and has managed capital for JPMorgan and on his own over the past twenty years. As Taiyo expects further volatilities in the Japanese equity market space, the firm is glad to bring in Todd to provide more top down analytical perspective to its investment process.
- Devin Lamb, a former Partner, resigned at the end of April to pursue other personal interests. Most of Devin's responsibilities, primarily in client servicing, has been assumed by Ferrell Daste and Taiyo indicated the transition was smooth.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Taiyo Cypress Fund/WL Ross**

**Second Quarter 2011**

**Performance Analysis (Continued):**

The Cypress Fund generated a time-weighted return (in USD) of 1.3% and beat the TOPIX's return of -2.3% for the quarter. Favorable stock-specific gains were the primary driver to this quarter's outperformance. \*Bigfoot\*, the Cypress Fund's largest holding in the real estate construction/management business, was also the biggest contributor as its shares advanced 22.0%, driven by strong order growth following the March earthquake. \*Damascus\*, a retail mall operator, appreciated 11.6% this quarter after reporting solid revenue growth from its stores. \*Doubletree\*, a home appliances maker that specializes in heating kitchenware, also gained 7.8% during the quarter after reporting strong sales business growth. YTD, as well as over the one-, two-, and three-year periods, the Cypress Fund has continued to outperform the TOPIX by a large margin.

Calendar Year Performance (%)				
As of 6/30/2011				
	YTD	2010	2009	2008*
Taiyo Cypress Fund	-1.34	17.75	20.28	-22.53
Topix Index	-5.52	-0.97	5.63	-34.91
Excess Return	4.18	18.72	14.65	12.38

\* Full-quarter performance started 6/30/2008

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Knight Vinke**  
Second Quarter 2011

**Investment Type:** European Corporate Governance Fund

**Inception Date:** September 2003

**Capital Commitment:** \$300 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 13.3 million	\$ 814.1 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 606.5 million

**Market Value (6/30/11):** \$ 286.1 million

**Investment Strategy:**

Knight Vinke believes that in the absence of effective corporate governance and a truly independent board, the separation of ownership and management can create the opportunity for management to act in its own self interest rather than that of the shareholders. The strategy looks to identify underperforming stocks of companies that are fundamentally strong where redress of the underperformance is possible in a reasonable amount of time. The firm believes that detailed fundamental analysis can identify underperforming companies that have strong operating businesses, but are in need of a corporate finance solution to a factor or factors that specifically is depressing the share price. To identify such companies the firm uses several sources: its own screening process through market information services such as Bloomberg, their own industry knowledge, outside brokers, other institutional shareholders, other corporations, industry manager who may have recently retired, or corporate finance professionals.

**Summary Analysis:**

***Number of Investments: 6***

**Organization:**

- Opened a new office in Zurich due to space constraints in Monaco. Albéric de Coulange, formerly the head of Global Markets at Deutsche Bank in Switzerland, who recently joined as Managing Director, will be responsible for staffing the new office. The advantage of having a license in Switzerland is that KV will also effectively be licensed in the rest of Europe.
- Two analysts were replaced by two new analysts (Jastej Rattan and Lilai Zhang) during the quarter. KV's structured review process determined that the departing analysts were not meeting expectations. The analysts had been part of the KV team for an average of 2 years. KV feels their replacements bring a high level of accounting expertise in particular to the team.
- KV has decided to close KVIP to new investors and focus on expanding relationships with current investors

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Knight Vinke**  
Second Quarter 2011

**Performance Analysis:**

KV underperformed the market during the 2<sup>nd</sup> quarter with an IRR return of -0.83% versus 0.98% for the index, in USD. One year performance is moderately negative at 28.06% vs. the index return of 32.47%. Since inception, KV's performance has outpaced the benchmark by 4.2%.

Calendar Year Performance (%)								
As of 6/30/2011								
	YTD	2010	2009	2008	2007	2006	2005	2004
Knight Vinke	0.24	-1.53	14.86	-34.26	7.42	51.12	28.08	24.73
FTSE World Europe	6.92	4.93	38.73	-46.99	15.47	35.15	10.81	21.51
Excess Return	-6.68	-6.46	-23.87	12.73	-8.05	15.97	17.27	3.22

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Blum Strategic Partners III**

Second Quarter 2011

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** July 2005

**Capital Commitment:** \$200 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 274.3 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 112.0 million

**Market Value (6/30/11):** \$ 94.4 million

**Investment Strategy:**

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

**Summary Analysis:**

***Number of Investments: 9***

**Organization:**

- Greg Hitchan, formerly Chief Operating Officer and a Partner of Blum Capital Partners, resigned during the quarter. Paige described the parting as a mutual decision: Greg has served as COO since 2004, however, the firm's growth has shifted the organizational structure over time to a point that it doesn't really fit Greg's interest any more. As Blum's current team structure allows it to function without a COO, then it became apparent that it was time for the two parties to part ways. Greg will remain available to Blum as a consultant for the rest of the year. The position will not be filled as Blum feels this role simply is no longer necessary.
- Another Partner, who has covered the education companies, also left during the quarter. This Partner breached a personal code of conduct and therefore was asked to resign at the end of April.

**Philosophy/Process:** No material changes.



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Blum Strategic Partners III**

Second Quarter 2011

**Performance Analysis:**

The Strategic Fund III ended the second quarter of 2011 with a time-weighted return of -4.7% and underperformed its absolute 8% annual objective return. The fund's performance also trailed the Russell 2000's 2Q return of -1.6%. YTD, however, Fund III's return of 11.6% has still topped both benchmark measures. This quarter's underperformance was primarily attributed to three of the top four holdings, which when combined account for over 65% of Fund III. These detractors, in order of impact, were Avid Technology Inc (13.5% weight, -15.5% return), Career Education Corp (24.4% weight, -6.9% return), and CB Richard Ellis Group (27.5% weight, -6.0% return). Despite the large retreat posted by Fund III's primary engagements during 2Q, Blum is convinced of these investments' intrinsic value and long-term prospect. Particularly with the education investments, as the release of the final gainful employment rule removed a large overhang that has lingered over the entire industry for the past year. While plenty work remains before these companies' hidden values can be fully unlocked, Blum nonetheless was upbeat about the fact that the regulatory "distraction" is now a thing of the past. Fund III's performance has shown improvement over the past few quarters and Blum expects to continue its effort at the top engagements to help turn things around.

<b>Calendar Year Performance (%)</b>						
<b>As of 6/30/2011</b>						
	<b>YTD</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Blum III	11.60	11.04	52.17	-42.95	3.92	9.46
8% Absolute Return	3.92	8.00	8.00	8.00	8.00	8.00
Excess Return	7.68	3.04	44.17	-50.95	-4.08	1.46

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Blum Strategic Partners IV**

Second Quarter 2011

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** December 2007

**Capital Commitment:** \$300 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 295.2 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 46.2 million

**Market Value (6/30/11):** \$ 242.6 million

**Investment Strategy:**

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

**Summary Analysis:**

***Number of Investments: 16***

**Organization:**

- Greg Hitchan, formerly Chief Operating Officer and a Partner of Blum Capital Partners, resigned during the quarter. Paige described the parting as a mutual decision: Greg has served as COO since 2004, however, the firm’s growth has shifted the organizational structure over time to a point that it doesn’t really fit Greg’s interest any more. As Blum’s current team structure allows it to function without a COO, then it became apparent that it was time for the two parties to part ways. Greg will remain available to Blum as a consultant for the rest of the year. The position will not be filled as Blum feels this role simply is no longer necessary.
- Another Partner, who has covered the education companies, also left during the quarter. This Partner breached a personal code of conduct and therefore was asked to resign at the end of April.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Blum Strategic Partners IV**

Second Quarter 2011

**Performance Analysis:**

The Strategic Partner Fund IV's second quarter return of -4.7% also lagged the stated 8% annual objective and the Russell 2000 Index. Similar to Fund III, large holdings CB Richard Ellis Group (22.7% weight), Career Education Corp (15.5% weight), and Avid Technology Inc (6.2% weight) did not perform well for the quarter were notable detractors. Fund IV's worst performer, however, came from Collective Brands (3.5% weight), which was down -31.9% during the quarter due to poor business performance and a management shakeup. Blum indicates that it is aware of the challenges faced by Collective Brands' business turnaround and the fund is currently evaluating the situation, weighing several different options. On the private equity side, Fund IV continues to move forward with its two main deals, Xtralis and Pacific Alliance Group Holdings. Both investments are performing in line with expectations, with Xtralis moving forward with planned strategic acquisitions and PAG closing a \$1 billion private equity fund recently. Blum believes that privately negotiated deals offer more attractive upside in today's market environment, since there are still large demand for liquidity from quality companies that cannot be met in the public markets. Fund IV still has about \$150 million recyclable capital that can be put into action, and Blum plans to reserve this amount almost exclusively for private placement deals. The fund continues to carry a pipeline of several potential projects and will carefully time its next deal.

<b>Calendar Year Performance (%)</b>				
<b>As of 6/30/2011</b>				
	<b>YTD</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Blum IV	6.13	2.31	36.28	-48.67
8% Absolute Return	3.92	8.00	8.00	8.00
Excess Return	2.21	-5.69	28.28	-56.67

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**New Mountain Vantage**

**Second Quarter 2011**

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** January 2006

**Capital Commitment:** \$200 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.9 million	\$ 202.9 million
<b>Distributed Capital:</b>	\$ 0.9 million	\$ 4.2 million

**Market Value (6/30/11):** \$ 280.3 million

**Investment Strategy:**

New Mountain's strategy is to proactively identify deeply undervalued companies through intensive research and then to unlock the value of these companies by working with management to improve the businesses for the benefit of all shareholders. New Mountain will pursue this value-added strategy for the many situations where a negotiated purchase of control of a public company is not available, but where New Mountain can acquire public shares in the open market and use its style of active ownership to increase the value of the firm's stock. They begin with a "Top-Down" approach, looking at sectors that have stable demands with high growth potentials. They seek companies where barriers to new entry are high, companies have pricing power, and where free cash flow generation characteristics are strong.

**Summary Analysis:**

***Number of Investments: 37***

**Organization:**

- Aneesh Venkat joined the Vantage Fund in May 2011 as an Associate and Equity Analyst. A Harvard University graduate who previously worked for Sankaty Advisors and the Invus Group, Aneesh has a background in credit opportunities within the Technology, Media, and Telecom sectors.
- Alex Abularach joined the Vantage Fund in April 2011 as a Director and Equity Analyst. Alex is a Harvard MBA grad and previously worked at Och-Ziff Capital Management focusing on long and short investments in the healthcare sector.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**New Mountain Vantage**

Second Quarter 2011

**Performance Analysis:**

The New Mountain Vantage fund carried its momentum from 2010 and has made it halfway through this year with pretty good results by outpacing the S&P 500, with returns of 6.2% and 6.0%, respectively. However, the fund did slightly underperform for the second quarter of 2011, returning -0.2% compared to 0.1% for the index. Global macro concerns such as political turmoil and civic unrest in the Middle East, coupled with the uncertainty around the European sovereign credit crisis, have led to a particularly volatile environment in the equity markets this quarter. As a result, New Mountain's derivatives trading program was only minimally deployed and its impact on the portfolio return was negligible (flat); as of the end of the second quarter, 0.7% of the fund was invested in option derivatives. The fund currently has approximately 17% of its assets in cash, which although pretty sizable is still its lowest level in over six months. Much like in the forced selling environment that dominated the equity markets back in March 2009, New Mountain views the current environment as a great opportunity to build up positions in some of its high conviction names. Company fundamentals remain strong as evidenced by record corporate earnings announcements, and the team is working to identify those names that remain undervalued. Despite detracting from overall fund performance for the quarter, Fidelity National Information Services (FIS) was one such position the team added to. As a payment processing company, FIS will benefit as consumers continue the switch from paper currency to plastic credit and debit cards for all transactions. Other long equity holdings that detracted from overall fund return include Weatherford International, Hewlett-Packard (a position the company exited in May) and Charles Schwab.

Calendar Year Performance (%)						
As of 6/30/2011						
	YTD	2010	2009	2008	2007	2006
New Moutain	6.15	24.37	40.95	-27.65	-2.05	
S&P 500	6.02	15.06	26.46	-37.00	5.49	
Excess Return	0.13	9.31	14.49	9.35	-7.54	N.A

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Breeden Partners**  
Second Quarter 2011

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** June 2006

**Capital Commitment:** \$500 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 638.4 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 138.5 million

**Market Value (6/30/11):** \$ 437.8 million

**Investment Strategy:**

Breeden's philosophy is to invest in US companies that are experiencing underperformance and diminished valuation due to correctable problem in policy and governance. The Fund will target mid-to-large-cap companies ranging from \$500 million to \$10 billion in market capitalization. The portfolio will be concentrated and will typically hold 8 to 12 positions. The objective of the Fund is to outperform the S&P 500 Index by 10% over the long-term.

**Summary Analysis:**

***Number of Investments: 15***

**Organization:**

- Breeden and CalPERS agreed to wind down the Breeden Europe fund by year-end. Breeden Europe is in the process of executing an orderly liquidation of the portfolio and expects to exit all positions by year end.
- Michael Mitchell, analyst, resigned from the firm during the quarter to pursue other closer opportunities – his responsibilities have been assumed by a new analyst hire. Jason Lee, fund accountant, also exited the firm during the quarter due to the decrease in accounting needs.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Breeden Partners**  
Second Quarter 2011

**Performance Analysis:**

During the second quarter, Breeden exited from one position (Hillenbrand due to a potential dilutive acquisition) and initiated a new position in one investment (Project Science). Overall, the portfolio had a somewhat flat second quarter, slightly lagging its benchmark return. General business prospects for AON are positive and the integration of the Hewitt acquisition is going well. Airgas became a full sized position and reported increases in same store sales metrics and management has removed significant structural costs which will drive significant margin expansion as the cycle strengthens. In early July, Breeden exited Casey's General Stores after the shares ran up for a nice percentage gain. Breeden will continue to work with EMCOR on a disciplined capital allocation strategy and investor's concerns due to economic uncertainty may delay projects for Flowserve. Helmerich & Payne continues to add contracts for new rigs and RSC also continues to take market share due to the quality of its machines and its distribution footprint. H&R Block had a new CEO and will take the DoJ – Tax Act dispute to trial. Breeden has settled with Elliott Associates to further their agenda items at Iron Mountain. The discussions with the FDA about System 1E continue to put a cloud over Steris' shares. Stanley Black & Decker had a strong quarter and made an attractive acquisition that would strengthen SWK's European operations while using SWK's stranded overseas cash. Whirlpool reported strong quarter results and with the US International Trade Commission imposing duties on other makers would help in the extremely competitive pricing environment. Lastly, Zale reported strong earnings that reflected the continued momentum in sales success.

Calendar Year Performance (%)						
As of 6/30/2011						
	YTD	2010	2009	2008	2007	2006
Breeden Partners	9.61	5.05	23.63	-35.96	-4.28	
S&P 500	6.02	15.06	26.46	-37.00	5.49	
Excess Return	3.59	-10.01	-2.83	1.04	-9.77	N.A

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Breeden European Partners**

**Second Quarter 2011**

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** June 2009

**Capital Commitment:** \$300 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 300.0 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (6/30/11):** \$ 228.5 million

**Investment Strategy:**

The Breeden European Fund will use a similar investment process to the US Fund, investing in underperforming or significantly undervalued companies. The Fund looks for companies without large amount of debt that have positive cash flow, and seeks to identify the causes of poor performance/low relative valuations and to pinpoint steps that will increase return to shareholders. The European Fund is expected to be fairly concentrated with 6 to 9 positions, with no market cap limit.

**Summary Analysis:**

***Number of Investments: 13***

**Organization:**

- Breeden European Capital Management has registered with the FSA (Financial Services Authority) as an investment adviser. Breeden European Partners (California) LP is also registered with the SEC as advisers in the US and sub advisers in Europe.
- Edward Storey left the firm during Q2 to return to Ireland.
- Change in organization AUM was approximately \$111M, mostly due to the \$100M distribution to CalPERS from the Europe fund.

**Philosophy/Process:** No material changes.

**Performance Analysis:**

Breeden Europe initiated investment in one position and exited two positions in the second quarter of 2011, resulting in a portfolio of thirteen holdings. The manager indicated it will continue to look for attractive opportunities. Wilshire will continue to monitor the portfolio activities.



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Breeden European Partners**  
Second Quarter 2011

**Performance Analysis (Continued):**

Calendar Year Performance (%) As of 6/30/2011			
	YTD	2010	2009*
Breeden European	-2.59	-31.82	-29.20
MSCI Developed Europe	9.59	4.49	59.93
Excess Return	-12.18	-36.31	-89.13

\* Full-quarter performance started 6/30/2009

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Governance for Owners**

Second Quarter 2011

**Investment Type:** European Corporate Governance Fund

**Inception Date:** October 2006

**Capital Commitment:** \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 300.1 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (6/30/11):** \$ 278.3 million

**Investment Strategy:**

GO's philosophy is to invest in fundamentally sound quoted companies in Europe where shares are trading at a discount due to correctable management or strategic issues. GO has a performance objective of five percentage points over the return of the FTSE Developed Europe Total Return Index on an annualized basis. The fund is expected to have 10 to 15 equity positions when it is fully invested with futures used to equitize any meaningful cash balances.

**Summary Analysis:**

***Number of Investments: 19***

Organization:

- Martin Connelly, GO's fund operations manager retired at the end of June and in anticipation of this GO have strengthened the middle office team and recruited Synva Midtbøe as Assistant Manager – Fund Accounting & Operations. Synva is responsible for our day-to-day middle office operations and overseeing the activities of our third party administrator, Phoenix Fund Services.
- The marketing effort for the GOEFF II is on-going.

Philosophy/Process: No material changes.

**Performance Analysis:**

GO underperformed for the second quarter in a row with a return of 3.6%. During the quarter, the fund was down 3% versus a positive return of 0.7% for the FTSE All World Developed Europe Index. After a string of positive quarters, the last two have seen a few setbacks, some of which is related to the impact of European uncertainty on specific company prospects. The engagement successes started to deliver dividends and recouped prior underperformance before stumbling over the last two quarters. Business risk is now somewhat lessened but will continue to be monitored closely.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Governance for Owners**  
Second Quarter 2011

**Performance Analysis (Continued):**

Calendar Year Performance (%)					
As of 6/30/2011					
	YTD	2010	2009	2008	2007
Governance for Owners	4.73	28.86	39.02	-53.14	7.06
FTSE All World Europe	9.75	4.93	38.73	-46.99	15.47
Excess Return	-5.02	23.93	0.29	-6.15	-8.41

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Lazard Korea Corporate Governance Fund**  
Second Quarter 2011

**Investment Type:** Korean Corporate Governance Fund

**Inception Date:** May 2008

**Capital Commitment:** \$100 million

	<u>Quarter</u>	<u>Since Inception</u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 100.0 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.1 million

**Market Value (6/30/11):** \$ 85.9 million

**Investment Strategy:**

The Fund's strategy is to add value by investing in small and mid-sized Korean companies that are undervalued with significant room to improve governance principles and practices. The Fund has a unique and exclusive relationship with the Center for Good Corporate Governance (CGCG), whereby the CGCG provides strategic advice regarding the engagement of a targeted company. Notably, the Fund will pursue its objective through a collaborative discussion between company management, the Fund and other shareholders, rather than a confrontational approach. The Fund feels that the Korean market is particularly well-suited to a corporate governance approach to investing as many companies have poor governance practices and the country trades at a discount to other similar markets as a result.

**Summary Analysis:**

***Number of Investments: 18***

**Organization:**

- The firm did not add any new investment staff during the second quarter (added one new analyst during the first quarter, Kayla Mu, covering the technology sector); the firm remains actively looking to bring aboard an additional analyst.
- The firm did not add any new positions to the fund during the second quarter, and exited one position, Shinwha Intertek, amid product concerns and the departure of the company's largest shareholder.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Lazard Korea Corporate Governance Fund**

Second Quarter 2011

**Performance Analysis:**

The Korea Corporate Governance Fund generated a return of 4.1% for the second quarter of 2011 outperforming the KOSPI, which returned 2.5%. The fund's performance was greatly helped by its largest holding, Taekwang Industrial (18.9% portfolio weight), which returned 30.4% for the quarter. The stock price received a boost as the criminal investigation into the Chairman progressed to the next stage, and the prospect of improved corporate governance helped inject some investor confidence back into the stock. Furthermore, the increasing publicity surrounding the criminal trial gives Lazard leverage to promote a more corporate governance agenda with the executive management, such as better use of cash sitting on the company's balance sheet (higher dividend payout). None of the company's strong fundamentals have changed substantially, but Lazard nonetheless plans to take some profit on the increasing stock price, and pare down this holding to a target weight of approximately 15%; Lazard will likely diversify into existing holdings, rather than adding too many new names to the fund. Some of the fund's other holdings also contributed to this quarter's outperformance; those holdings include Hansol Paper (8.0% weight), Hyundai Green Food (5.2% weight), and Namyang Dairy (4.2%). During the second quarter, the Korean technology sector fell while the auto and retail sectors saw gains. Therefore, in addition to its core business line of food material distribution, Hyundai Green Foods also benefited from its affiliation (through equity ownership stakes) with Hyundai Department Stores and Hyundai Motor. However, inflation has become a real threat in the Korean economy and has remained above 4% for the duration of this year. Food product costs have risen sharply and put a strain of most Koreans, and it remains to be seen how much more of this cost increase can be passed along to the consumer before it will start visibly impacting Hyundai Green Food's bottom line.

<b>Calendar Year Performance (%)</b>				
<b>As of 6/30/2011</b>				
	<b>YTD</b>	<b>2010</b>	<b>2009</b>	<b>2008*</b>
Lazard Korea	2.29	29.55	11.11	-40.83
KOSPI	8.36	25.92	65.67	-48.02
Excess Return	-6.07	3.63	-54.56	7.19

\* Full-quarter performance started 6/30/2008

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Cartica Capital Partners, LP**

Second Quarter 2011

**Investment Type:** Emerging Markets Corporate Governance Fund

**Inception Date:** December 2009

**Capital Commitment:** \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
<b>Contributed Capital:</b>	\$ 0.9 million	\$ 178.2 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (6/30/11):** \$ 237.6 million

**Investment Strategy:**

CCPLP will pursue a long-only investment strategy in emerging markets with investment in both public and private equity. The portfolio will target companies with enterprise values between USD \$100 million and \$2 billion and CMLLC will use a “relational” investment approach, working cooperatively with management. It is expected that public equities will comprise approximately 70% of the portfolio. The private equity portfolio will generally be focused on pre-IPO situations and CMLLC expects to avoid turnaround or distressed situations. The target market cap range for private transactions is slightly lower -- \$80 million to \$1 billion. CCPLP's goal “is to realize significant returns by identifying companies with the greatest potential for increased value once they implement governance enhancement policies tailored to the specific circumstances of the individual company and financial market.”

**Summary Analysis:**

***Number of Investments: 10***

**Organization:**

- Cartica envisions the additional capital committed by CalPERS to be invested both across the portfolio and in a few new positions over a period of three to four months. They are currently about 66.5% invested.
- Cartica continues to reach out to larger institutional investors and has a goal of raising \$100-200 million in additional commitments in 2011. Several investors have expressed interest but there continues to be little visibility into the timing of potential investments.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Cartica Capital Partners, LP**

Second Quarter 2011

**Performance Analysis:**

The fund had a difficult start in the first half of 2011 with a return of -7.9% vs. the index return (FTSE All World EM) return of -2.06% YTD as of the end of June. The since inception performance continues to be substantially positive with a return of 73.6% versus the index return of 14.4%. The first half of 2011 marked the first extended difficult period for the Cartica portfolio as several macro-economic events continued to make emerging markets particularly volatile. The firm continues their fundamental work and will cautiously look to invest further capital at attractive prices.

<b>Calendar Year Performance (%)</b>			
<b>As of 6/30/2011</b>			
	<b>YTD</b>	<b>2010</b>	<b>2009*</b>
Cartica	-7.54	73.73	8.10
FTSE AW EM Index	-0.56	19.81	8.93
Excess Return	-6.98	53.92	-0.83

\* Full-quarter performance started 12/31/2009